POST- AND TELECOM ADMINISTRATION

Draft Decision on amendments to Siminn reference offers for resale access and interconnection of public telephone networks at a fixed location

(Markets 2 and 3)

I

Introduction

This case deals with specific amendments that the Post and Telecom Administration (PTA) prescribes with respect to the Siminn reference offer for resale access to public telephone networks at a fixed location on the one hand and the Siminn Reference Offer for Interconnection of Public Telephone Network at a Fixed Location on the other hand. The initiative for the amendments comes variously from Siminn itself, from other parties to the market and from the PTA.

II

Facts of the case

2.1 Siminn notification on revised reference offer for interconnection of public telephone networks at a fixed location

In an e-mail dated last 27 June the PTA received a notification from Siminn about a draft of revised reference offers for resale access to public telephone networks at a fixed location on the one hand and to the interconnection of public telephone networks at a fixed location (RIO) on the other hand. It was stated that the aim was for the revised reference offer to come into force on 1 September 2013 and that Siminn would send a notification to counterparties to this effect with the reservation of endorsement by the PTA.

On the one hand Siminn requested PTA endorsement for the amendments to the provisions of the reference offers that relate to revocation as a remedy for default. More specifically, default would always be considered to be significant when its duration exceeded one month instead of the three months prescribed by the provisions currently in force. On the other hand, Siminn requested specific changes to Appendix 1 in the reference offers in question that cover price with respect to the service category “carrier pre-selection single billing” (SB-CPS). They resulted from increases to the Míla local loop undbundling tariff, which was planned to come into force on 1 August 2013. In addition to this, a specific discount was to be given from the monthly fee on the basis of the number of connections.

2.2 PTA national consultation

Last 28 June the PTA initiated national consultation on the above specified request from Siminn which continued until last 16 August. In addition to the above specified Siminn proposals, the PTA suggested amendment to the reference offer for resale access where a provision would be added on “amendments to agreement” which would be identical to Provision 1.4 in the Siminn reference offer for interconnection of public telephone network at a fixed location. There it was prescribed that a new reference offer should be published for the purpose of information and sent to the PTA at least three months prior to it coming into force. Then it was stated that the PTA planned to prescribe that the amendments would come into force on 1 October 2013, and not 1 September as proposed by Siminn.

It was furthermore stated that as the Siminn reference offer for resale access had not previously been subject to consultation, stakeholders should be given the opportunity of making comments on all those issues they considered might be improved, regardless of whether Siminn and/or the PTA had commented on them. Appendix 1 (tariff) in the reference offer for resale access would however be exempt from consultation. The reason for this was that Siminn considered that the section in question should enjoy confidentiality because of sensitive business interests. The PTA disagreed with this and plan to prescribe in its final decision in this case that Siminn was required to publish the section in question on tariff.

2.3 Comments from Siminn subsequent to national consultation

With a letter dated last 16 August comments were received from Siminn subsequent to the above specified national consultation. It was stated that in the notification of national consultation the PTA had mentioned that the administration would make the demand that the Appendix on tariff for resale access to the Siminn public telephone network at a fixed location would be published. Siminn saw no reason to make comments on other matters in the PTA notification. Siminn made the demand that Appendix A (tariff) in the reference offer in question would be categorised as confidential information in its entirety and thus would be exempt from publication pursuant to Paragraph 1 of Article 29 of the Electronic Communications Act.

2.4 Comments from Tal subsequent to national consultation

With a letter dated last 16 August comments were received from IP-fjarskipti ehf (Tal) subsequent to the above specified national consultation. Tal objected to the planned increase of the Siminn tariff and supported an increase in quantity discount. Tal made serious objections to Siminn not having submitted a tariff with the reference offer for resale access and was opposed to authorising Siminn to amend the provisions in the reference offers for revocation as a remedy for default. Furthermore, Tal considered it abnormal that authorisation to demand amendments to the agreements was solely available to Siminn with respect to the reference offer for resale access, but Tal supported the amendment proposed by the PTA for the addition of the provision for a three month notification notice to the PTA for amendments to a reference offer. Finally, Tal supported the planned instructions from the PTA to the effect that the amendments would come into force on 1 October 2013 instead of 1 September.

2.5 Comments from Vodafone subsequent to national consultation

With a letter dated last 16 August comments were received from Fjarskipti hf. (Vodafone) subsequent to the above specified national consultation. Vodafone objected to amendment of the provision for revocation as a remedy for default and demanded that Siminn publish the tariff with the reference offer for resale access. In accordance with the ruling of the Appellate Committee for Electronic Communications and Postal Affairs number 6/2012, the termination rate from and including 1 July 2013 was ISK 4/minute, and not ISK 1.66/minute. This needed to be changed in the reference offers. In addition to this Vodafone considered that the Siminn price for SB-CPS was too high in relation to the company's retail price. It was important to separate the price of Siminn port charges for POTS ports in telephone exchanges in such a manner that electronic communications companies could purchase local loops in wholesale from Míla and ports in wholesale from Siminn. In addition to this Vodafone objected to the quantity discounts that Siminn proposed to offer. Furthermore, Vodafone considered that Siminn was not justified in collecting fees for forwarding connections to 118 and that Siminn should not collect termination fees for telephone calls to 118, but should rather charge a fee for transit.

2.6 Siminn comments on the submissions from Vodafone and Tal

With a letter dated last 3 September Siminn comments were received on the Comments from Vodafone and Tal. It was stated that last June Siminn had sent a request to the PTA for an increase of the monthly fee for access to telephone exchange subsequent to Míla having notified a planned increase in local loops, see PTA Decision no. 15/2013. In parallel to changes in the monthly fee the discount table had been changed, among other things in such a manner that a discount was available for fewer connections than had previously been the case. In addition to this the Siminn reply was accompanied with more detailed information and the reasoning behind the criteria and calculations of the discount table in question, as had been requested by the PTA.

Siminn objected to the position taken by Vodafone and Tal against the planned amendment to the provision on default and provided further arguments in support of the company's position. Siminn would amend the provisions of the reference offers on rates for termination in mobile phones in line with the ruling from the Appellate Committee for Electronic Communications and Postal Affairs from last 30 June. Then Siminn referred to its previous comments, where its views had been presented on confidentiality of the tariff for resale. With respect to discussion on the Siminn pricing and Siminn line fees, the Vodafone information was partly out of date.

Siminn saw no reason to discuss other issues in the Vodafone and Tal comments for the time being, as they were not directed at the amendments that Siminn had requested to make. The company, however, reserve the right to comment on those issues at a later date should the PTA decide to examine them in this matter.

2.7 Further Comments from Siminn on the submissions from Vodafone and Tal

With a letter dated last 19 September further Siminn comments were received on the Comments from Vodafone and Tal. PTA had given the company the opportunity to comment on the issues in the submissions from Vodafone and Tal that Siminn had not expressed an opinion on in the company's reply from last 3 September.

With respect to Tal's demand that Tal could unilaterally amend the conditions of the agreement, Siminn categorically objected to such a demand being accepted. Siminn considered it appropriate to point out that the Siminn line fee was now ISK 1690, and not ISK 1590 as asserted by Vodafone and Siminn argued that the SB-CPS fee was not abnormally high in relation to the Siminn retail tariff. With respect to the Vodafone demand on pricing for 118, Siminn considered that to be no reason to make any changes to this whatsoever. Siminn also objected to the Vodafone demand that the company be made to separate POTS and the local loop fee in its tariff.

III

The PTA Decision no. 36/2012

3.1 General

With the decision of the PTA number 36/2012 from 14 December 2012 Siminn was designated as having significant market power on the wholesale markets for origination and termination of telephone calls in public telephone networks provided at a fixed location (Markets 2 and 3) and in addition the appropriate obligations were imposed on the company. Here below, there will be a description of the main obligations imposed on Siminn that are related to the matter to be resolved here, i.e. access obligation, obligation for transparency, obligation for non-discrimination and obligation for price control.

3.2 Access obligation

With the authority in Article 28 of the Electronic Communications Act, the PTA imposed obligations on Siminn to accede to normal and reasonable requests for access to the network for service for call origination in public telephone network at a fixed location at wholesale level. It was specifically stated that the obligations also applied to resale access should there be a demand for such a form of access. It was stated that he PTA considered it important, because of the small size of the Icelandic public telephone network at a fixed location, that Siminn offer resale access to parties that do not have any fixed line telephone infrastructure or access to parties that have limited infrastructure, in addition to traditional interconnection.

3.3 Non-discrimination

With the authority granted by Article 30 of the Electronic Communications Act, the PTA imposed the obligation on Siminn for non-discrimination, both with respect to price and other factors, both towards external operations and between internal operations and external operations. The obligation for non-discrimination was to apply to interconnection and also to resale access to the Siminn fixed line telephone system.

3.4 Obligation for transparency

With the authorisation in Article 29 of the Electronic Communications Act the PTA imposed the obligation on Siminn for transparency and the publication of a reference offer for interconnection of public telephone network at a fixed location, terms and conditions for delivery and use, along with tariffs for wholesale fixed line telephone services. There it was stated that if a reference offer were published then all parties to the market would have the opportunity to acquaint themselves with what was on offer and that this would ensure that the companies were not forced to pay for services and equipment for which they had no need. Siminn was further obliged to notify the PTA of all changes to relevant contracts or to the reference offer. Changes to the reference offer would not come into force before being endorsed by the PTA.

The reference offer for call origination may be part of the same offer for access in the form of call termination and other services in the fixed line system; see the reference offer currently in force on interconnection in public telephone networks at a fixed location (RIO). Should Siminn make an agreement with an electronic communications company for access to its public telephone network at a fixed location then Siminn shall publish an analogous reference offer for such access, no later than three months after the signing of the agreement. According to Paragraph 2 of Article 29 of the Electronic Communications Act, the PTA is authorised to prescribe amendments to such a reference offer if it is not adequate for the market in the opinion of the administration.

In Section 2.3 in the above specified Decision there is a list of items that shall appear in the Siminn reference offers for fixed line telephone services, including the reference offer for resale access to the public telephone network at a fixed location. There it is stated among other things that the reference offer shall publish information about prices and discounts.

It was stated that Siminn was obliged to notify other companies in advance about all amendments to the reference offer with at least three months' notice. It was however authorised to notify changes to price no later than two months before the changes came into effect.

3.5 Obligation for price control

With the authority of Article 32 of the Electronic Communications Act the PTA imposed on Siminn the obligation for cost related tariff. The maximum price for call origination will be decided with benchmarking pursuant to authorisation in Paragraph 4 of Article 32 of the Electronic Communications Act. When choosing comparative competition markets the PTA would refer to electronic communications markets in the EEA in accordance with a further detailed methodology. The Siminn cost analysed prices would continue to apply until the first benchmarking had taken place.

IV

The conclusions of the Post and Telecom Administration

4.1. Provisions regarding amendments to the reference offers

4.1.1. Introduction

In the above specified national consultation the PTA suggested amendment to the reference offer for resale access where a provision would be added on "amendments to agreement" which would be identical to Provision 1.4 in the Siminn reference offer for interconnection of public telephone network at a fixed location. There it was prescribed that a new reference offer should be published for the purpose of information and sent to the PTA at least three months prior to it coming into force.

4.1.2 Comments from Tal subsequent to national consultation

In the Comments from Tal that were received subsequent to national consultation the company supported the above amendments proposed by the PTA.

4.1.3 The PTA conclusion

Siminn has made no comments on the above specified intentions of the PTA. Siminn shall thus add a provision to the company's reference offer for resale access to the public telephone network at a fixed location, that is analogous to the provision in Article 1.4 of the company's reference offer for interconnection of public telephone networks at a fixed location where it shall be prescribed that a new reference offer or amendments to the reference offer shall be published for the purposes of information and be sent to the PTA at least three months before coming into force.

As is stated in Section 3.4 here above the obligation for transparency imposed on Siminn by the PTA with Decision no. 36/2012 (Markets 2 and 3) prescribed that Siminn was obliged to notify other electronic communications companies in advance of all amendments to a reference offer with at least three months' notice. It was however authorised to notify changes to price no later than two months before the changes came into effect.

Taking the above into account Siminn shall furthermore amend Provision 1.4 in the company's reference offer for interconnection of public telephone networks at a fixed location in such a manner that it reflects the above distinction between notifications of amendments to general terms, that shall be three months, and notifications on price changes, that shall be two months. The new provision of the reference offer for resale shall also take this provision into account.

4.2 Review of the reference offer for resale access to the public telephone network at a fixed location

4.2.1 Comments from Tal subsequent to national consultation

In the Tal comments subsequent to national consultation the company commented on Provision 3.7 in the reference offer for resale access. Tal considered it abnormal that authorisation to demand amendments to the agreement was solely enjoyed by Siminn. There should be reciprocity in this authority as is allowed for in Provision 12 in the Siminn reference offer for interconnection of public telephone networks at a fixed location (RIO). Tal moved that this be changed accordingly.

4.2.2 Siminn comments on the Tal submission

Siminn totally rejected the Tal demand that Tal could unilaterally change the conditions of the agreement/reference offer. Changes to the Siminn reference offers and thus to Siminn's agreements with the companies in question were subject to endorsement by the PTA and were subjected to detailed scrutiny and in addition to this the companies in question were afforded the opportunity to present their views on the changes. It would be flawed execution if a service purchaser could unilaterally change the terms of agreements with the service provider. The terms applied to service to which Siminn provided access, and for which it was responsible. Decisions made by the PTA were administrative decisions which mean that a party to the case could request that such decisions be made again or reviewed. This means that Tal has channels to request changes of the decisions made by the PTA. It would also be possible to submit objections when the changes were being reviewed by the PTA. To give a service purchaser the right to unilaterally alter Siminn's conditions would not conform to fundamental principles of contract law, and nor would such a demand harmonise with provisions of electronic communications legislation. Siminn was not aware of any example where a service purchaser could unilaterally change conditions for access.

4.2.3 The PTA conclusion

The following provision entitled "amendments to the agreements" can be found in Provision 3.7 in the Siminn reference offer for resale of the company's public telephone networks at a fixed location.

> "Siminn has the right to demand review of agreements should criteria have changed significantly or if legislation has been changed in such a manner that the agreement no longer fulfils requirements prescribed by law."

The following provision which is also entitled "amendments to the agreements" can be found in provision 12 in the Siminn reference offer for interconnection of public telephone networks at a fixed location:

> "Each party to the agreement has the right to demand review of the agreement should criteria have changed significantly or if legislation has been changed in such a manner that the agreement no longer fulfils requirements prescribed by law."

The PTA considers that Siminn misunderstands the above specified Tal comments. Tal does not request authorisation to unilaterally amend the reference offer for resale access to the Siminn public telephone network at a fixed location. Siminn is correct in saying that amendments to a reference offer do not come into force without endorsement from the PTA. The initiative for such amendments can come from Siminn, from other parties to the market or from the PTA. The PTA therefore considers it normal to accept Tal's demands and to prescribe that Siminn amend Provision 3.7 in the reference offer for resale access to the Siminn public telephone network at a fixed location in accordance with Provision 12 in the reference offer for interconnection of public telephone networks at a fixed location.

4.3 Significant default

4.3.1. Introduction

Siminn requested the endorsement of the PTA for amendments to the Provision 6.2.1 in the reference offer for resale access to public telephone networks at a fixed location and 6.1.1 in the reference offer for interconnection of public telephone networks at a fixed location which cover revocation as a remedy for default. More specifically, default would always be considered to be significant when its duration exceeded one month instead of the three months prescribed by the provisions currently in force. The reason why Siminn wish to shorten the duration in question was that some of Siminn's counterparties had taken advantage of this provision to a significant extent by fully using the period of notice before paying and thus effectively made Siminn fund their operations. For parties that always made timely settlement this amendment would have little impact. Siminn considered it abnormal that companies could take advantage of obligations on Siminn to fund their own operations at Siminn's cost. Siminn considered that this amendment would increase efficiency and reduce Siminn debt collection costs and that foreign practice supported this amendment.

4.3.2 Comments from Tal subsequent to national consultation

Tal is opposed to authorising Siminn to amend the provisions on revocation in the reference offers. Significant default cannot be considered default that has only duration of one month. Such a situation would be very easy to abuse and could cause Siminn counterparties significant problems and lack of security.

4.3.3 Comments from Vodafone subsequent to national consultation

Vodafone stated that default for a period of one month was considered general delay of payment according to the definition of obligation law and it was thus the opinion of the company that to categorise such default under significant default was extremely burdensome. Default of this nature could occur for example, as a result of employees' summer holidays or simply because of their mistakes. Vodafone also pointed out that by setting such a precedent then other electronic communications companies could make the same demands as Siminn against their customers, which would mean that electronic communications companies would be in a more restrictive environment with respect to default than companies in other service industries.

4.3.4 Siminn comments on the submissions from Vodafone and Tal

Siminn considered that companies, if they honoured the payments, did not need to have any concerns about the changes. Even in the case of summer holidays at Vodafone this would not result in the company being unable to pay the company's bills. Nor was Siminn aware that summer holidays of Vodafone staff had caused any problems with respect to setting of invoices. With the current arrangement invoices for use in e.g. January had a payment day of 20 February and final payment date on 2 March. The company in question had a built-in 30 day notice for payment of invoices. The current terms meant that an electronic communications company could have 90 days additional notice which was totally unacceptable. In practice this would mean notice to pay of 120 days which had to pass before Siminn could commence normal debt collection procedures.

60 days' notice to pay must be considered to be generous and Siminn very much doubts that companies could not meet payment 60 days after the issue of an invoice. All things being equal, it was abnormal that Siminn should have to fund the operations or the default of such parties. Invoices were sent out on a monthly basis, which means that the Vodafone arguments in no way hold. Debt collection measures were conducted according to a predefined procedure and action was not taken without prior warnings and reminders. Given the amounts of monthly business between electronic communications companies, it can hardly be considered normal that Siminn take on the funding of liquidity requirements of competitors. [...][1].

With respect to the Vodafone assertion that 30 day delay on payment was considered general delay in payment in the understanding of obligation law and not significant default then this was simply not correct. Evaluation of whether delay in payment should be considered significant default depended on assessment of the circumstances and when one considered the cost to Siminn of the delay in payment by Siminn's counterparties then there was no doubt that delay in payment in excess of one month from the due date was significant. It was therefore necessary to limit delay in payment to one month instead of three months. Siminn referred to the fundamental principle of contract law that parties should fulfil agreements they have made.

[1] Text removed due to reasons of confidentiality.

4.3.5 The PTA conclusion

With the above specified Siminn explanations in mind one must consider that a three month notice to pay, in addition to the notice that results from the arrangement where the final due date is one month after the invoice month in question ends, is much more than adequate, both with respect to the reference offer for resale access to public telephone networks at a fixed location and to the reference offer for interconnection of public telephone networks at a fixed location.

Nevertheless the PTA considers that shortening the notice to pay from three months to one is an excessively large step. The PTA accepts the shortening of the notice to pay from three months to two months. This amendment however will come into force from and including 1 January 2014 in order to provide those electronic communications companies that currently use the whole period of notice with a reasonable period of time to fund the amendment in question.

The Provisions 6.2.1 in the reference offer for resale access to the public telephone network at a fixed location and 6.1.1 in the reference offer for interconnection of public telephone networks at a fixed location shall read as follows:

> "Point c) here above notwithstanding, default is always considered significant default if it has a duration of more than two months from the final due date."

4.4 Price increase in SB-CPS

4.4.1. Introduction

Siminn requested specific changes to Appendix 1 in the reference offers in question that cover price with respect to the service category SB-CPS. They resulted from increases to the Míla copper local loop unbundling tariff, which was planned to come into force on 1 August 2013. More specifically the monthly charge for access to telephone exchange (POTS per port in the exchange) and the lower frequency range of the copper local loop are ISK 1,477; the monthly charge for access to telephone exchange (ISDN base connection per port in exchange) and the lower frequency range of the copper local loop is ISK 1,659 and the monthly charge for access to exchange (ISDN initial connection, 30 channels, within a telephone exchange) is ISK 8,835.

4.4.2 Comments from Tal subsequent to national consultation

Tal objected to the above specified increase of the Siminn tariff and made the demand that it be rejected.

4.4.3 Comments from Vodafone subsequent to national consultation

It was stated in the Vodafone submission that Siminn had requested a price increase in SB-CPS, from ISK 1,729/minute to ISK 1,854/minute. Vodafone pointed out that the Siminn line charge in retail was ISK 1,590/minute. The lowest addition according to the

Siminn website was ISK 494 for the service option “Friend”. Included in this option, there were ISK 0/minute calls to one fixed line number at Siminn and to one number abroad. When these two charges are added together one can see that ISK 2,080/minute is the least expensive Siminn retail price for fixed line telephony. It was the opinion of Vodafone that the price for SB-CPS, which was a wholesale product, should not be able to be higher than the lowest retail price less 30%, that is to say the Siminn retail price less what is included in the service option (that is to say free telephone calls).

Pricing, such as Siminn has tabled for SB-CPS strongly indicates that Skipti hf. has applied margin squeeze in fixed line telephone services or at least that Siminn was subsidising its fixed line telephone service. In support of this one could point out that if the included telephone calls were valued at, for example ISK 300 of the ISK 2,080, then SB-CPS should never be higher than (100% -30%)*(2,080-300), that is to say ISK 1,246/minute. The above calculations demonstrate that the Míla line charge was much higher than the amount roughly suggested by Vodafone. Despite this fact, the result of the calculation shows that Skipti seemed to price the Siminn retail price under cost price. Such practices were conducive to forcing electronic communications companies who supply fixed line telephone services to offer their services below cost price in order to compete with Siminn. At the same time, the Míla line charge was very close to the Siminn base fixed line telephone charge in retail. Vodafone considered it extremely important to separate the above specified price from the Siminn port charge for POTS ports in telephone exchanges. Separation of those prices demonstrated the real additional cost of SB-CPS to the Míla line charge.

<u>4.4.4 Siminn comments on the submissions from Vodafone and Tal</u>

It was stated that last June Siminn had sent a request to the PTA for an increase of the monthly fee for access to telephone exchange subsequent to Míla having notified a planned increase in copper local loops, see PTA Decision no. 15/2013. The price increases in question were a direct result of price increases from Míla that the PTA had endorsed. It was thus normal that Siminn had authority to increase its prices in order to meet the Míla price rises in question.

<u>4.4.5 The PTA conclusion</u>

The Siminn tariff for SB-CPS is based on the PTA Decision no. 21/2011 with respect to the Siminn cost analysis of wholesale prices for access to public telephone networks. Planned price changes at Siminn are solely attributable to the increase in Mila copper local loop unbundling price which came into force 1 August 2013 subsequent to endorsement by the PTA to this effect with Decision no. 15/2013 and are in accordance with the criteria on which the above specified cost analysis is based. The PTA therefore accepts that the monthly charge for access to telephone exchange (POTS per port in the exchange) and the lower frequency range of the copper local loop increase from ISK 1,331 to ISK 1,477; the monthly charge for access to telephone exchange (ISDN base connection per port in exchange) and the lower frequency range of the copper local loop increases from ISK 1,512 to ISK 1,659 and the monthly charge for access to exchange

(ISDN initial connection, 30 channels, within a telephone exchange) increases from ISK 7,967 to ISK 8,835.

In other respects, the PTA does not take a position on the Vodafone comments to the effect that the Skipti Group applied margin squeeze or subsidies in its fixed line telephone service, as the behaviour of the Skipti Group on the retail market is not under discussion in this case.

4.5 Discounts

4.5.1. Introduction

Then Siminn requested that the discounts shown below should be provided on the monthly rate with reference to the number of connections:

Number of connections	Monthly charge with discount	Discount
0-999	1,477/month	0.0%
1,000-1,999	1,415/month	5.0%
2,000-2,999	1,402/month	6.0%
3,000-3,999	1,383/month	7.5%
4,000-4,999	1,358/month	9.5%
5,000 and more	1,325/month	12.2%

4.5.2 Comments from Tal subsequent to national consultation

Tal supports increased discount for quantity, but considers on the other hand, that the quantity discount is not high enough and asks for it to be raised should the announced increase in monthly and connection charges for SB-CPS be accepted.

4.5.3 Comments from Vodafone subsequent to national consultation

Vodafone made comments on the above discount table and referred to the fact that such discounts were not customary in an analogous manner on the electronic communications market. Discounts had been given in connection with contractual duration. Discounts of this kind discriminated between parties to the market on the basis of their size, that is to say that smaller companies would need to purchase service at a higher price than larger companies. Vodafone believe that companies should be on a level playing field with respect to this service in SB-CPS.

4.5.4 Siminn comments on the submissions from Vodafone and Tal

It was stated in Siminn’s comments that parallel to changes in the monthly fee the discount table had been changed, among other things in such a manner that a discount was available for fewer connections than had previously been the case. The PTA had requested information on criteria and calculations for the discount table in question. The monthly charge for access to telephone exchange was based on cost analysed price for access to Siminn exchange and for the Mila copper local loop charge. The Mila copper local loop charge carried a 20% weighting, among other things because of processing of orders and debt collection weighting, see below:

Access type	New Mila price	Cost to Siminn	Mark-up	New wholesale price
POTS (per port) in exchange	ISK 1,042	ISK 227	ISK 208	ISK 1,477
ISDN base connection	ISK 1,042	ISK 408	ISK 208	ISK 1,659
ISDN start-up connection and 30 channels	ISK 4,527	ISK 3,427	ISK 905	ISK 8,835

With an increase in the number of connections, orders could be handled more efficiently, which made it possible to reduce the mark-up on the Mila copper local loop. In the following table the calculation for discount would be on the basis of a specific number of connections. Siminn rejected the assertion that quantity discount discriminated and restricted the interests of smaller parties. It was well known and simply recognised that general quantity discounts had a positive effect. Siminn pointed out that the smaller party, that is to say Tal, was supportive of this arrangement, which did not support the Vodafone assertion about restrictions to their position on the market.

Number of connections	New price from Mila	Mark-up on Mila local loop%	Mark-up in ISK	Cost analysed price for exchange	Wholesale price	Discount
0-999	1,042	20%	208	227	1,477	0.0%
1,000-1,999	1,042	14%	146	227	1,415	5.0%
2,000-2,999	1,042	13%	133	227	1,402	6.0%
3,000-3,999	1,042	11%	114	227	1,383	7.5%
4,000-4,999	1,042	9%	89	227	1,358	9.5%
5,000-	1,042	5%	56	227	1,325	12.2%

4.5.5 Corrected discount table from Siminn

In an e-mail dated last 23 December, the PTA pointed out to Siminn that there was a discrepancy between the discount percentage and the ISK figures in the discount table. The Administration gave Siminn the opportunity to correct the table. A reply received on the same provided the discount table as follows:

Number of connections	Monthly charge with discount	Discount
0-999	ISK 1,477/minute.	0.00%
1,000-1,999	ISK 1,415/minute.	4.20%
2,000-2,999	ISK 1,402/minute.	5.10%
3,000-3,999	ISK 1,383/minute.	6.40%
4,000-4,999	ISK 1,358/minute.	8.10%
5,000 and more	ISK 1,325/minute.	10.30%

4.5.6 The PTA conclusion

The criteria for the Siminn tariff was shown in the PTA Decision no. 21/2011 with respect to the Siminn cost analysis of wholesale prices for access to public telephone networks.

In the cost analysis, the total price for POTS connection (per port per month) is calculated at ISK 1,331 per month to take an example. The above specified monthly price was composed of the rental of a copper local loop (ISK 920), of investment and operational costs of exchanges (ISK 220/port) and of costs for handling and provision of service for access (ISK 184). The basis for the handling charge was direct costs for ordering and service, share in premises, office and salaries costs, invoicing and risk for accounts receivable. In practice, the handling cost was considered to amount to the equivalent of a 20% weighting on the copper local loop price in each instance, which was the equivalent of 14% of the total monthly charge for POTS connections.

The planned increase of access to ISK 1,477 resulted from an increase of the copper local loop from ISK 922 ISK 1,042, which also resulted in an increase in the handling charge from ISK 184 to ISK 208, which remains 14% of the total price for POTS access.

The PTA considers there to be no doubt that an increased number of connections brings increased efficiency with respect to total handling for access to the Siminn telephone exchanges as the cost of handling access to system is to a large extent fixed cost. The PTA emphasises that a discount on handling costs is in effect the provision of a discount on the basis of evaluation of increased efficiency resulting from increased connections and it is not a case of giving a discount on the cost price of telephone exchanges or copper local loops.

The PTA considers the Siminn cost assessment for handling of the access in question to be logical, given the cost of providing and general handling of access to the company’s systems and in addition to this the Siminn reference to the number of connections is reasonable compared with the total number of connections in the Siminn system. For this reason the PTA accepts the Siminn proposal with respect to the revised table on quantity discount for connections.

4.6 Itemised prices for the Mila local loop and Siminn POTS

<u>4.6.1 Comments from Vodafone subsequent to national consultation</u>

It was stated in the Vodafone comments that nowhere in the Siminn reference offer was the price for POTS (per port in exchange) specified, but was only shown as part of the price for SB-CPS. It was very important to separate the charge for a port from the line charge as such a change would enable electronic communications companies to purchase copper local loops in wholesale from Mila and ports in wholesale from Siminn. Vodafone considered it extremely beneficial for the market for prices to be presented separately for such service, particularly in the light of the fact that it would increase opportunities for electronic communications companies to lower their costs when providing such service and in this manner ensure better prices for consumers which would result in increased competition between electronic communications companies.

<u>4.6.2 Siminn comments on the Vodafone submission</u>

It was stated by Siminn that the Vodafone comments on Siminn pricing, among other things line charge, were to some extent out of date, that the way they were presented did not take into account the real tariff and in addition to this the retail market had already been dealt with by the Competition Authority. Siminn pointed out that the Siminn line charge was now ISK 1,690, and not ISK 1,590 as asserted by Vodafone. The call to one number abroad was not free but was provided with a 50% discount for such a number. A start charge of ISK 9.9 is calculated on each telephone call, regardless of whether by mobile or fixed line phone. The minute price would then be ISK 3.9 in fixed line phone and ISK 19.9 in a mobile. Use of the service returned significant revenue. If one take the line charge at ISK 1,690 and the monthly price of the least expensive option for fixed line phone then the price would be 490+1,690 = ISK 2,180, which is ISK 1,737 ex VAT. SB-CPS costs on the other hand ISK 1,378 per day ex VAT. This means that the Siminn retail price is about 26% higher than the wholesale price for SB-CPS and thus manifestly not less than cost. In this instance revenue from use would not have been taken into account. The subscription option in question was not the only one on offer at Siminn. Siminn did not understand the Vodafone assessment of included telephone calls as there were no accompanying explanations, so it seems to have been a guess.

Vodafone made the demand that Siminn be obliged to separate POTS and the local loop charge in its tariff. In fact the Vodafone demand was for the possibility of purchasing the copper local loop separately from Mila and the port from Siminn, and not that the pricing would be specifically itemised in the Siminn tariff. Siminn owned and operated the exchange and Mila had no involvement in this whatsoever. Allocation of ports and their operation was the responsibility of Siminn. Separating the local loop and the port in such instances would increase the level of complexity and costs in providing the service. In the light of its experience Siminn considers that the existing arrangement is preferable and simpler. Fault diagnosis would be very difficult and costly for all parties also for Siminn's counterparties who, for example, would need to contact two different parties when diagnosing problems related to the service. The existing Siminn cost base for providing the service would not be reduced, but would probably increase because of increased complexity. Siminn considered that the existing arrangement was most economical for all parties. An analogous arrangement had been used for bitstream connections. When Siminn was offering that service there had been no demand made to separate the bitstream charge and the copper local loop charge. It is also appropriate to point out that the PTA has actually taken a position on this issue of contention. On page 20 in Appendix B to consultation on Markets 1-6 dated 5 September 2008, information was provided on the reasons for the existing arrangement being as it is. There it was stated:

> „These obligations that the PTA intends to impose on Siminn for customers with pre-selection are made because of Siminn's dominant position. The companies would use these obligations in areas where it would not pay for them to invest in their own exchanges. It is therefore no better for them to get the lines set up by Míla if there is not any exchange to which to connect the lines. This is not a case of renting the copper local loop network but wholesale of a complete connection to a telephone network. Reference is made to Articles 653 and 655 in the draft where the purpose of the obligations is justified. Siminn has

> significant market share in the access market for fixed-line services and has existing obligations on pre-selection and fixed pre-selection that are not sufficiently effective. The communications between Siminn retail and a customer with fixed pre-selection to another service provider through sent invoices makes their competitive positions discriminative. This discriminative status will persist unless access for Siminn's competitors is improved in this manner and more parties feel able to enter this market."

Siminn considered in the light of experience that the above approach was the correct one, that is to say that Siminn wholesale was selling a complete connection where the product was sold complete with all components necessary to use it. To separate the supplied parts would be much more complex and not conducive to reducing costs.

4.6.3 The PTA conclusion

The PTA reiterates that the Siminn price for access to ports in telephone exchange is a wholesale tariff, which would not change even though the port and the copper local loop were separated in the tariff as requested by Vodafone. Furthermore, it cannot be seen that such an action on its own would lead to a reduction of total charges for access to Siminn exchanges. Direct costs for providing access and participation in indirect business costs will continue to be more or less the same whether the copper local loop is included or not. The above is now included in assessed costs for handling of access which amounts to approximately 14% of the access price for POTS as stated previously.

The PTA considers it appropriate that in the next review of cost analysis for access to Siminn exchanges a special assessment will be made on whether the price for access should be split in accordance with the Vodafone opinion and at the same time it will be assessed whether the methodology for assessment and calculation of handling of access should be altered.

4.7. Termination of mobile phone traffic

4.7.1 Comments from Vodafone subsequent to national consultation

In accordance with the ruling of the Appellate Committee for Electronic Communications and Postal Affairs no. 6/2012, the termination rate from and including 1 July 2013 was ISK 4/minute, and not ISK 1.66/minute. Vodafone considers it appropriate to use the ruling in question but to have nevertheless the reservation that the price could change in accordance with reductions that would occur in the future.

4.7.2 Siminn comments on the Vodafone submission

In Siminn's comments it was stated that when the company had submitted a request to the PTA for an increase in tariff the ruling on termination rates had not been available. The reference offer would then be amended in accordance with amendments to the PTA decisions.

4.7.3 The PTA conclusion

As the price for termination in mobile phone networks is decided by a Decision by the PTA in each instance, unless the Appellate Committee for Electronic Communications and Postal Affairs or the courts revoke this Decision, Siminn is obliged to update the item in question in its tariff for the reference offers in question immediately on changes being made to these termination rates by the PTA, the Appellate Committee for Electronic Communications and Postal Affairs or the courts. Siminn does not need to request a special endorsement from the PTA for such amendments while such termination rates are subject to PTA obligations.

4.8 Price for forwarding connections to 118

4.8.1 Comments from Vodafone subsequent to national consultation

In Provision 2.11 in the Siminn tariff to the reference offer for interconnection of public telephone networks at a fixed location there was discussion on special prices for “forwarding to 118”. Vodafone wonders what justification Siminn has to collect payments from other electronic communications companies for this service as the company Já upplýsingaveitur ehf provides the service in question and not Siminn. Vodafone therefore proposed that this point to be removed.

4.8.2 Siminn comments on the Vodafone submission

Siminn considered there to be no reason to change the point in question in any manner whatsoever. This must be based on a misunderstanding with Vodafone as this cost item was based on real costs and thus normal that counterparties bear the cost of service they request. When a call to 118 is forwarded there are two segments in the telephone call, i.e. that the call goes through the Siminn exchange twice, and not once in the case of a normal telephone call. It was therefore normal to charge a higher price than for a normal telephone call.

4.8.3 The PTA conclusion

The PTA makes no comment on the manner in which Siminn collects termination charges for forwarding telephone calls to 118 in its system. Siminn is in this instance simply collecting for costs of operating its own system, costs that are not included in the Já upplýsingaveitur ehf tariff for forwarding telephone calls to 118. The Siminn tariff for forwarding to 118 is in accordance with criteria in the Siminn cost analysis on which the current wholesale tariff for access to the public fixed line telephone network is based.

4.9 Termination charge or transit charge to 118

4.9.1 Comments from Vodafone subsequent to national consultation

Vodafone believes that Siminn should not collect termination charges for telephone calls to 118 but rather transit charges.

4.9.2 The PTA conclusion

The Siminn collection of termination charges for telephone calls to 118 is treated like every other call in the company's fixed line network and this cost is not included in the Já upplýsingaveitur ehf tariff for information service in 118. It is thus the assessment of the PTA that there is no reason to react particularly to the Vodafone comment at this stage.

4.10 Publication of tariff in the reference offer for resale access to the public telephone network at a fixed location

4.10.1 Introduction

It was stated in a notification from the PTA regarding the above specified national consultation that Appendix 1 (tariff) in the Siminn reference offer for resale access was exempt from the consultation (with the exception of the prices and discount table provided by Siminn in its application to the PTA and that have been shown here above). It was stated that the reason that the Appendix in question was not published for consultation in this instance was that Siminn considered that the section in question should enjoy confidentiality because of sensitive business interests. It was stated that the PTA disagreed with this and planned to prescribe in its final decision in this case that Siminn was required to publish the section in question on tariff. The PTA considered this to harmonise with the obligations imposed on Siminn with the PTA Decision no. 36/2012 (Markets 2 and 3).

4.10.2 Comments from Siminn subsequent to national consultation

Siminn made the demand that Appendix A (tariff) in the reference offer in question would be categorised as confidential information in its entirety and thus would be exempt from publication pursuant to Paragraph 1 of Article 29 of the Electronic Communications Act. It would then be authorised to provide the price information only to those parties that demonstrated convincingly that they were about to commence resale of fixed line telephone services. This would mean that it would be authorised to deny network operators access to the Appendix, as it was perfectly clear that network operators had no convincing interests to protect by having access to price information for services for which they had no need. The only reason for a network operator to get such information would be to gain information about pricing of the parties that practised resale. Siminn pointed out that in the PTA Decision no. 36/2012 (M2 and M3) it was stated that there was a need to "assure the interests of resale parties that had no networks and of other parties that had limited infrastructure." It was clear that the publication of the cost price for these parties would not achieve this objective, as the resale option was intended for those parties that had no network of their own. There were very significant interests at stake for resale parties in keeping their cost base confidential from other network operators. The Appendix in question constituted confidential information about transactions between Siminn wholesale and those parties that purchased services from Siminn and should thus enjoy confidentiality.

It would therefore be important from the point of view of competition that competitors did not have precise information about the cost base of other parties to the market, particularly of these resale parties. A key issue in matters of competition would be to make every effort to keep business information on cost base confidential, precisely for the objective of creating uncertainty about the cost base and thus increasing competition at retail level. Even were pricing was the same with all parties this could constitute a certain problem as then all competitors who purchased a certain service knew that other parties to the market had the same costs. This could inhibit competition. Uncertainty would mean that companies would take increased risks with respect to reducing prices. The cost base of network operators, for example Vodafone, was often confidential and for this reason the publication of the costs of resale parties would result in deterioration of their market position.

Certain circumstances could lead to companies on the market reducing competition without this constituting a specific breach of competition law or of transparency in pricing. It would thus be a prerequisite for increased price competition that information on wholesale price to smaller parties be kept confidential. Siminn could send all the agreements to the PTA which would enable the administration to confirm and monitor that parties to the market were not being discriminated against. Such an approach would be in accordance with the principle of proportionality as publication would be a case of going further than was necessary in order to ensure non-discrimination in trading. The publication of price information and the structure of the Appendix in question would thus be a breach of the principle of proportionality in Article 12 of the Administrative Procedures Act.

The purpose of the resale arrangement would be to offer those parties that do not have their own network the opportunity to sell fixed line telephone services. This means that the only purpose that the publication of price information, and thus the cost base of resale parties, would serve would be to assist those parties that have their own networks in undercutting resale parties and thus make the arrangement untenable from the point of view of competition. In this way the competitive position of resale parties would deteriorate and this could hinder new parties from achieving a foothold on the market unless they operated their own networks. In addition to this the commercial feasibility of resale access would be impaired and even negated. The PTA objective could hardly be to make it easier for larger network operators to compete with smaller and/or new parties to the market. This could result in access barriers in contradiction to the objectives of competition legislation.

By publishing pricing to resale parties the investment and costs disbursed by Siminn in order to make this service possible would be lost and the service would cease of its own volition in time. Siminn could not believe that the PTA would wish this to happen. According to Article 29 of the Electronic Communications Act the PTA could authorise that specific information should not be published, where the information related to important financial or commercial interests where it would be fair and normal that it enjoyed confidentiality. Siminn considered there to be no doubt that the publishing of price information on resale of fixed line telephone services concerned significant interests. Siminn considered it normal that the opinion of those who had the greatest interest to protect should be requested, that is to say existing resale parties. The publishing of the information would have significantly damaging consequences for the operations of such parties.

Should the PTA consider there to be a need to publish the Appendix then Siminn reserved the right to demand that specific and limited information be exempted from publication.

4.10.3 Comments from Tal subsequent to national consultation

Tal made serious objections to Siminn not having submitted a tariff with the reference offer for resale access. The tariff was the most important part of the reference offer and for this reason it cannot be accepted that it should not be submitted for consultation in the same manner as other parts of the reference offer.

4.10.4 Comments from Vodafone subsequent to national consultation

In Vodafone submission it was stated that on last 18 March Vodafone had, in its comments to the Siminn reference offer for interconnection of public telephone networks at a fixed location (RIO), requested that Siminn publish prices for the fixed line telephone services that Tal purchased from Siminn in wholesale. Siminn had refused to publish the price in question, on the grounds that such provision of information, in the opinion of the company, should not be part of the reference offer and in addition to this it was important for the purposes of ensuring competition on the market to maintain confidentiality of the information. Amendments to the Siminn reference offer for resale access to the company's fixed line telephone services were now under discussion. It was the opinion of Vodafone that the publication of prices for fixed line telephone services belonged precisely in this reference offer. Vodafone requested that Siminn provide all prices for the services that were on offer from Siminn wholesale on the basis of the obligations imposed on the company.

Vodafone pointed out that the price for service purchased by Tal from Siminn was not revealed by Siminn, despite requests from Vodafone, and Siminn had declared that this would continue to be the case for the purpose of ensuring competition. It was the opinion of Vodafone that competition would be better insured with information of this kind. Vodafone was a customer of Siminn wholesale and it should be in Siminn's interests to provide prices of the services that were on offer from the company in the hope that Vodafone would use the services in question. Vodafone requested that the prices that had not been published for fixed line telephone services would be publicly available to all parties to the market.

4.10.5 Siminn comments on the submissions from Vodafone and Tal

Siminn referred to its previous comments with respect to its views that had been presented on confidentiality of the tariff for resale. It was clear from the Vodafone letter that the only purpose of that company in having access to the tariff would be to gain information about the terms enjoyed by Tal at Siminn. That could not be regarded as a reasonable consideration. With respect to Tal's comments, the company must misunderstand the reasons for this part of the reference offer not been published. Siminn seriously doubted that Tal wished to inform Vodafone about the terms the company enjoyed with Siminn.

4.10.6 The PTA conclusion

With the Decision of the PTA no. 36/2012 Siminn was designated as having significant market power on the wholesale markets for origination and termination of telephone calls in public telephone networks provided at a fixed location (Markets 2 and 3) and in addition the appropriate obligations were imposed on the company.

With the authority in Article 28 of the Electronic Communications Act, the PTA imposed obligations on Siminn to accede to normal and reasonable requests for access to the network for service for call origination in fixed line networks at wholesale level. It was specifically stated that the obligations also applied to resale access should there be a demand for such a form of access. It is clear that Siminn currently provides Tal with such resale access and is thus obliged to provide other interested parties with such access service, regardless of whether the party requesting access has no public telephone network at a fixed location, a limited public telephone network at a fixed location or even a comprehensive public telephone network at a fixed location. The obligation for access is thus not restricted to providing parties with resale access who do not operate public telephone networks at a fixed location as Siminn appears to maintain.

The PTA imposed the obligation on Siminn for non-discrimination, both with respect to price and other factors, both towards external operations and between internal operations and external operations. The obligation for non-discrimination was among other things to apply to resale access to the Siminn fixed line telephone system. Furthermore the PTA imposed the obligation on Siminn for cost related company tariffs among other things with respect to resale access.

The obligation that is however most significant in this instance is the obligation for transparency. The PTA imposed the obligation on Siminn for transparency and for the publication of a reference offer for interconnection of fixed line networks, terms and conditions for delivery and use, along with *tariffs* for wholesale fixed line telephone services. It was particularly stated that should Siminn make an agreement with an electronic communications company for access to its fixed line network then Siminn shall publish an analogous reference offer for such access, no later than three months after the signing of the agreement. In Section 2.3 in the above specified Decision there is a list of items that shall appear in the Siminn reference offers for fixed line telephone services, including the reference offer for resale access to the public telephone network at a fixed location. There it is stated among other things that the reference offer shall publish information about prices and discounts.

With this in mind, it is perfectly clear that with the Decision in question the PTA imposed the obligation on Siminn to publicly publish reference offers for resale access to the company's public telephone network at a fixed location, including tariff. The above specified obligation for transparency is based on Article 29 of the Electronic

Communications Act. There it is furthermore described that it is authorised to make an exemption to the publication of information if an electronic communications company can show that it concerns important financial or business interests that it is fair and normal to keep confidential. Further to this it is clear that such an exemption was not granted with the Decision in question, which was appealed, neither by Siminn nor by other electronic communications companies.

In the case here under discussion Siminn has in no way succeeded in demonstrating that the exemption provision of Article 29 of the Electronic Communications Act applies in this instance. Siminn strongly emphasises that smaller parties on the fixed line telephone market, among others Tal, could suffer damage as a result of the publication of such information. Tal in no way supports these concerns of Siminn, but on the contrary considers it extremely important that Siminn publish its tariff for resale access. It is also clear that a party such as Vodafone has significant interests in seeing the prices on offer for various kinds of wholesale access to the Siminn public telephone network at a fixed location. It could well be that resale access would be the best option for Vodafone in specific regions.

Siminn furthermore refers to general competition considerations. The electronic communications markets here under discussion are characterised by Siminn's dominant position. The obligations imposed by the PTA on Siminn are intended to level the position for Siminn's competitors. General competition considerations are thus not relevant with respect to the issue here under discussion. It is therefore important for the purpose of strengthening competition on the market in question that Siminn publish puplicly its reference offer for resale access, including the tariff. It thus harmonised with the principle of proportionality to impose the obligation in question on Siminn with the above specified Decision, given the competition problems identified by the PTA. This assessment still applies today.

4.11 The coming into force of amendments to the reference offers

4.11.1. Introduction

As stated here above, the PTA received a notification from Siminn about draft revised reference offers for resale access to public telephone networks at a fixed location on the one hand and to the interconnection of public telephone networks at a fixed location (RIO) on the other hand. It was stated that the aim was for the revised reference offer to come into force on 1 September 2013 and that Siminn would send a notification to counterparties to this effect with the reservation of endorsement by the PTA.

In the PTA notification on national consultation dated last 28 June it was stated that the PTA planned to prescribe that the amendments would come into force on 1 October 2013, and not 1 September as proposed by Siminn.

4.11.2 Comments from Tal subsequent to national consultation

In the Tal comments it was stated that the company supported the planned instructions from the PTA to the effect that the amendments would come into force on next 1 October.

4.11.3 The PTA conclusion

As is stated in Section 3.4 here above the obligation for transparency imposed on Siminn by the PTA with Decision no. 36/2012 (Markets 2 and 3) prescribed that Siminn was obliged to notify other electronic communications companies in advance of all amendments to a reference offer with at least three months' notice. It was however authorised to notify changes to price no later than two months before the changes came into effect. The PTA considers that Siminn intentions had become known to electronic communications companies, no later than last 28 June when the PTA published news about national consultation, which among other things contain information about the amendments submitted by Siminn to the PTA for endorsement.

The date proposed by Siminn for the coming into force of the amendments, that is to say last 1 September, was thus not in accordance with the above except with respect to price changes. On the other hand, it is also stated in the above specified obligation for transparency that amendments to the reference offer do not come into force prior to endorsement by the PTA. The PTA considers that such endorsement cannot take place until a final decision has been made in the case. As the processing of the case commenced just prior to the main summer holiday period and as it was necessary to initiate national consultation and as it was necessary to give Siminn the opportunity twice to express an opinion on comments from stakeholders and to conduct consultation with the EFTA Surveillance Authority (ESA) and with other electronic communications regulatory bodies in the EEA, the matter has suffered delays greater than expected by the PTA when national consultation was initiated at the end of last June. It is thus clear that the amendments that will be endorsed with this Decision cannot come into force on 1 October as the PTA had wished.

With the above in mind the amendments prescribed in the Siminn reference offers for resale access to fixed line networks on the one hand and interconnection of public telephone networks at a fixed location on the other will come into force from and including the first day of the following month after the Decision is published, other than that the amendment of the definition of significant default shall not come into force until and including 1 January 2014.

Draft Decision

Siminn shall alter Provision 1.4 in the company's reference offer for interconnection of public telephone networks at a fixed location such that the notice for notification of amendments to general terms of the reference offer is three months and is two months with respect to price changes. An analogous provision shall be adopted in

the Siminn reference offer for resale access to public telephone network at a fixed location.

Siminn shall amend Provision 3.7 in the reference offer for resale access to the Siminn public telephone network at a fixed location that deals with amendments to the agreements in accordance with Provision 12 in the reference offer for interconnection of public telephone networks at a fixed location on the same issue, such that both parties to the agreement can request amendments to the agreement and thus to the reference offer.

The provisions of 6.2.1 in the reference offer for resale access to the public telephone network at a fixed location and 6.1.1 in the reference offer for interconnection of public telephone networks at a fixed location shall be worded such that significant delay in payment shall always be considered significant default, where it has a duration of more than two months from the final due date. This amendment does however not come into force until and including 1 January 2014.

The PTA endorses the price increase requested by Siminn with respect to the service category SB-CPS and the discount terms proposed by Siminn.

As the price for termination in mobile phone networks is decided by a Decision by the PTA in each instance, unless the Appellate Committee for Electronic Communications and Postal Affairs or the courts revoke this Decision, Siminn is obliged to update the item in question in its tariff for the reference offers in question immediately on entry into force of the changes being made to these termination rates by the PTA, the Appellate Committee for Electronic Communications and Postal Affairs or the courts. A special endorsement from the PTA is not required such amendments while such termination rates are subject to PTA obligations.

Siminn shall publish Appendix 1 puplicly with its reference offer for resale access to the company's public telephone network at a fixed location.

For the time being, the PTA does not consider there to be reason to accept the Vodafone demand that the price for the Mila copper local loop and Siminn POTS be separated. The PTA considers it appropriate that in the next review of cost analysis for access to Siminn exchanges a special assessment will be made on whether the price for access should be split in accordance with the Vodafone opinion and at the same time it will be assessed whether the methodology for assessment and calculation of handling of access should be altered.

The PTA makes no comment on the manner in which Siminn collects termination charges for forwarding to 118.

The PTA denies Vodafone claims that Siminn should collect transit fees instead of termination fees for 118.

The amendments prescribed in the Siminn reference offers for resale access to fixed line networks on the one hand and interconnection of public telephone networks at a fixed location on the other will come into force from and including the first day of the following month after the Decision is published. The amendment of the definition of significant default will however not come into force until and including 1 January 2014.

This Decision can be appealed to the Appellate Committee for Electronic Communications and Postal Affairs see Article 13 of Act no. 69/2003 on the Post and Telecom Administration. The appeal shall have reached the Appellate Committee four weeks from the time that the party in question became aware of the Decision of the Post and Telecom Administration. Costs for an appeal are according to Paragraph 5 of Article 13 of the same Act, and in addition to this there is a special appeal charge to the amount of ISK 150,000 to be paid pursuant to Article 6 of Regulation number 36/2009 on the Appellate Committee for Electronic Communications and Postal Affairs.

Reykjavík, 26 September 2013

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Hrafnkell V. Gíslason

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Óskar H. Ragnarsson,